

Property Tax Payments, 2002-2003

- Clinton County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Clinton County from \$4.8 Million in 2002 to \$8.1 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12

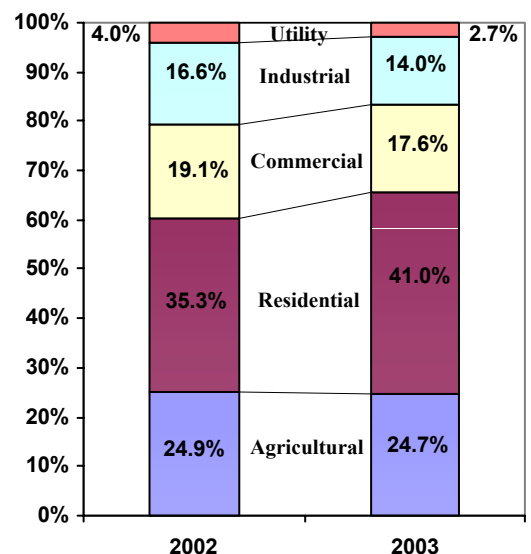
Table 1. Changes in AV and Tax Bills by Property Class for Clinton County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	92.0%	84.3%	-9.5%
Residential (All)	117.9%	83.9%	6.1%
Homestead Only	119.8%	73.1%	-2.4%
Commercial	39.9%	33.2%	-15.5%
Industrial	28.8%	29.0%	-22.8%
Utility	0.0%	0.0%	-38.3%
Avg. All Classes	79.0%	62.4%	-8.5%

billion to \$1.87 billion, an increase of approximately \$748 million. In Clinton County, state tax credits increased from \$4.8 million to \$8.1 million, an increase of \$3.3 million. This paper provides a brief summary of how these factors changed property tax liabilities in Clinton County.

Tax Shifts. Clinton County saw a property tax shift from businesses and agricultural property owners to residential property owners. Tax bills paid by residential owners increased, while tax bills paid by agricultural, commercial, industrial, and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of business property. Gross assessed values of residential property more than doubled. Commercial and industrial assessments rose much less, and utility assessments remained unchanged. These figures include the effects of new construction, demolition and remodeling of

Figure 1. Share of Net Property Tax Billings in Clinton County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Clinton County saw their tax bills decrease, while the average residential property increased. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased substantially. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Clinton County, more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, many more homestead owners saw decreases than increases.

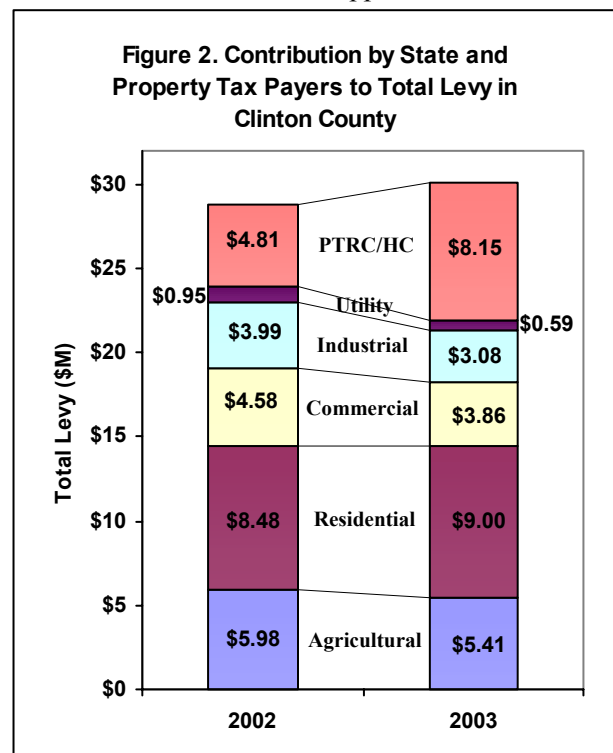
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Clinton County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	58.3%	35.1%	52.9%	27.1%
Decreased	41.7%	64.9%	47.1%	72.9%
Increased 100% or More	13.1%	3.6%	11.4%	3.1%
Decreased 25% or More	14.6%	22.0%	19.5%	30.4%
Average Change (\$)	\$27	-\$97	-\$21	-\$149
Average Change (%)	3.9%	-11.2%	-3.2%	-17.3%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about half of all residential property owners would have seen tax increases, and half would have seen tax decreases. Nearly three-quarters of homesteads would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Clinton County fell. Overall, agricultural homestead taxes fell slightly more than agricultural business taxes. The net assessed value on non-homestead agricultural real property almost doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on business property fell in Clinton County because assessed values rose much less than residential assessments. Business real property was assessed closer to the market value standard under the old



assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Clinton County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Clinton County by PTRC and state homestead credit payments increased by approximately 69%, from \$4.8 million to \$8.1 million.

Table 3 shows estimates of how Clinton County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of this tax increase. Clinton County residential property taxes still increased. However, residential homestead taxes decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. PTRC payments were larger, but payments were eliminated for personal property, which meant that restructuring had only small effects on commercial and industrial taxes. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Clinton County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	0.9%	-9.5%	-10.4%
Residential (All)	42.6%	6.1%	-36.4%
Homestead Only	53.4%	-2.4%	-55.8%
Commercial	-16.1%	-15.5%	0.5%
Industrial	-20.7%	-22.8%	-2.1%
Utility	-46.0%	-38.3%	7.7%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Clinton County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	719,963,902	218,473,535	349,932,911	272,133,369	87,755,207	62,327,184	1,217,344
Real Deductions	76,200,913	7,092,115	59,127,496	59,127,496	4,854,843	5,113,372	3,202
Real Net Assessed Value	643,762,989	211,381,420	290,805,415	213,005,873	82,900,364	57,213,812	1,214,142
Personal Gross Assd. Value	235,730,206	27,865,889	5,501,348	0	65,964,898	103,834,941	32,563,130
Personal Deductions	7,842,303	0	0	0	7,821,003	21,300	0
Personal Net Assd. Value	227,887,903	27,865,889	5,501,348	0	58,143,895	103,813,641	32,563,130
Total Gross Assessed Value	955,694,108	246,339,424	355,434,259	272,133,369	153,720,105	166,162,125	33,780,474
Total Deductions	84,043,216	7,092,115	59,127,496	59,127,496	12,675,846	5,134,672	3,202
Total Net Assessed Value	871,650,892	239,247,309	296,306,763	213,005,873	141,044,259	161,027,453	33,777,272
Gross Levy	28,800,182	6,918,254	10,817,266	7,656,960	5,407,916	4,546,733	1,103,217
PTRC (Calculated)	3,989,712	844,896	1,601,488	1,121,075	832,186	559,816	150,473
State/County Homestead Cr. (Calculated)	824,278	92,121	732,156	732,156	0	0	0
Net Levy	23,986,192	5,981,236	8,483,621	5,803,729	4,575,730	3,986,917	952,745
Pay 2003							
Real Gross Assessed Value	1,430,089,700	440,247,958	769,314,556	598,215,722	137,196,492	81,038,876	2,092,914
Real Deductions	282,615,130	32,016,578	229,519,228	229,519,228	17,022,595	4,015,773	3,014
Real Net Assessed Value	1,147,474,570	408,231,380	539,795,328	368,696,494	120,173,897	77,023,103	2,089,900
Personal Gross Assd. Value	280,303,244	32,727,561	5,078,981	0	77,908,022	132,896,082	31,692,598
Personal Deductions	12,384,430	0	3,510	0	10,244,210	2,136,710	0
Personal Net Assd. Value	267,918,814	32,727,561	5,075,471	0	67,663,812	130,759,372	31,692,598
Total Gross Assessed Value	1,710,392,944	472,975,519	774,393,537	598,215,722	215,104,514	213,934,958	33,785,512
Total Deductions	294,999,560	32,016,578	229,522,738	229,519,228	27,266,805	6,152,483	3,014
Total Net Assessed Value	1,415,393,384	440,958,941	544,870,799	368,696,494	187,837,709	207,782,475	33,782,498
Gross Levy	30,169,544	7,472,362	13,155,840	8,667,975	4,926,298	3,909,533	702,887
PTRC (Calculated)	7,382,303	1,991,524	3,380,142	2,230,221	1,061,572	833,236	115,045
State/County Homestead Cr. (Calculated)	842,571	70,010	772,561	772,561	0	0	0
Net Levy	21,944,669	5,410,829	9,003,137	5,665,193	3,864,726	3,076,297	587,841

COMPARISONS

Net Levy Percent Change	-8.5%	-9.5%	6.1%	-2.4%	-15.5%	-22.8%	-38.3%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	98.6%	101.5%	119.8%	119.8%	56.3%	30.0%	71.9%
Gross Personal AV	18.9%	17.4%	-7.7%	0.0%	18.1%	28.0%	-2.7%
Total Gross Assessed Value	79.0%	92.0%	117.9%	119.8%	39.9%	28.8%	0.0%
Net Assessed Value	62.4%	84.3%	83.9%	73.1%	33.2%	29.0%	0.0%
Gross Levy	4.8%	8.0%	21.6%	13.2%	-8.9%	-14.0%	-36.3%
Net Levy	-8.5%	-9.5%	6.1%	-2.4%	-15.5%	-22.8%	-38.3%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	3,951,607	7,317,077	3,365,470	85.2%
State Homestead Cr. (Abstract)	863,172	831,142	-32,029	-3.7%
Total State Credits (Abstract)	4,814,779	8,148,220	3,333,441	69.2%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Clinton County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	5,981,236	5,410,829	-570,407	-9.5%	24.9%	24.7%	-0.3%
Residential	8,483,621	9,003,137	519,516	6.1%	35.3%	41.0%	5.7%
Commercial	4,575,730	3,864,726	-711,004	-15.5%	19.1%	17.6%	-1.5%
Industrial	3,986,917	3,076,297	-910,620	-22.8%	16.6%	14.0%	-2.6%
Utility	952,745	587,841	-364,904	-38.3%	4.0%	2.7%	-1.3%
Exempt	14,217	1,551	-12,666	-89.1%	0.1%	0.0%	-0.1%
Undefined	5,942	1,839	-4,103	-69.1%	0.0%	0.0%	0.0%
Total	24,000,408	21,946,220	-2,054,188	-8.6%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	5,265,060	4,958,984	-306,076	-5.8%	21.9%	22.6%	0.7%
Residential	8,324,330	8,923,435	599,105	7.2%	34.7%	40.7%	6.0%
Commercial	2,783,366	2,446,541	-336,825	-12.1%	11.6%	11.1%	-0.4%
Industrial	1,483,103	1,108,104	-374,999	-25.3%	6.2%	5.0%	-1.1%
Utility	37,513	34,200	-3,313	-8.8%	0.2%	0.2%	0.0%
Exempt	14,217	1,551	-12,666	-89.1%	0.1%	0.0%	-0.1%
Undefined	5,942	1,839	-4,103	-69.1%	0.0%	0.0%	0.0%
Total	17,913,531	17,474,654	-438,877	-2.4%	74.6%	79.6%	5.0%
Agricultural Homesteads	1,371,998	1,216,613	-155,385	-11.3%	5.7%	5.5%	-0.2%
Residential Homesteads	5,803,729	5,665,193	-138,536	-2.4%	24.2%	25.8%	1.6%
Total Homesteads	7,175,727	6,881,806	-293,921	-4.1%	29.9%	31.4%	1.5%
Non-Homestead Residential	2,520,600	3,258,242	737,642	29.3%	10.5%	14.8%	4.3%
Apartments (Over 4 Units)	476,506	539,412	62,906	13.2%	2.0%	2.5%	0.5%
<u>Personal Property Only</u>							
Agricultural	716,176	451,845	-264,331	-36.9%	3.0%	2.1%	-0.9%
Residential	159,292	79,702	-79,590	-50.0%	0.7%	0.4%	-0.3%
Commercial	1,792,364	1,418,185	-374,179	-20.9%	7.5%	6.5%	-1.0%
Industrial	2,503,814	1,968,193	-535,621	-21.4%	10.4%	9.0%	-1.5%
Utility	915,231	553,641	-361,590	-39.5%	3.8%	2.5%	-1.3%
Total	6,086,877	4,471,566	-1,615,311	-26.5%	25.4%	20.4%	-5.0%
Total Depreciables	3,994,807	2,954,544	-1,040,263	-26.0%	16.6%	13.5%	-3.2%
Total Inventory	1,932,779	1,437,321	-495,458	-25.6%	8.1%	6.5%	-1.5%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	3,893,062	3,742,371	-150,691	-3.9%	16.2%	17.1%	0.8%
Ag Personal	716,176	451,845	-264,331	-36.9%	3.0%	2.1%	-0.9%
Total Ag Business	4,609,238	4,194,216	-415,022	-9.0%	19.2%	19.1%	-0.1%
Ag Homesteads	1,371,998	1,216,613	-155,385	-11.3%	5.7%	5.5%	-0.2%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Clinton County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	239,247,309	440,958,941	201,711,632	84.3%	27.4%	31.2%	3.7%
Residential	296,306,763	544,870,799	248,564,036	83.9%	34.0%	38.5%	4.5%
Commercial	141,044,259	187,837,709	46,793,450	33.2%	16.2%	13.3%	-2.9%
Industrial	161,027,453	207,782,475	46,755,022	29.0%	18.5%	14.7%	-3.8%
Utility	33,777,272	33,782,498	5,226	0.0%	3.9%	2.4%	-1.5%
Exempt	467,490	86,350	-381,140	-81.5%	0.1%	0.0%	0.0%
Undefined	247,836	160,961	-86,875	-35.1%	0.0%	0.0%	0.0%
Total	872,118,382	1,415,479,733	543,361,351	62.3%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	211,381,420	408,231,380	196,849,960	93.1%	24.2%	28.8%	4.6%
Residential	290,805,415	539,795,328	248,989,913	85.6%	33.3%	38.1%	4.8%
Commercial	82,900,364	120,173,897	37,273,533	45.0%	9.5%	8.5%	-1.0%
Industrial	57,213,812	77,023,103	19,809,291	34.6%	6.6%	5.4%	-1.1%
Utility	1,214,142	2,089,900	875,758	72.1%	0.1%	0.1%	0.0%
Exempt	467,490	86,350	-381,140	-81.5%	0.1%	0.0%	0.0%
Undefined	247,836	160,961	-86,875	-35.1%	0.0%	0.0%	0.0%
Total	644,230,479	1,147,560,919	503,330,440	78.1%	73.9%	81.1%	7.2%
Agricultural Homesteads	57,769,804	103,210,673	45,440,869	78.7%	6.6%	7.3%	0.7%
Residential Homesteads	213,005,873	368,696,494	155,690,621	73.1%	24.4%	26.0%	1.6%
Total Homesteads	270,775,677	471,907,167	201,131,490	74.3%	31.0%	33.3%	2.3%
Non-Homestead Residential	77,799,542	171,098,834	93,299,292	119.9%	8.9%	12.1%	3.2%
Apartments (Over 4 Units)	12,943,614	23,148,042	10,204,428	78.8%	1.5%	1.6%	0.2%
<u>Personal Property Only</u>							
Agricultural	27,865,889	32,727,561	4,861,672	17.4%	3.2%	2.3%	-0.9%
Residential	5,501,348	5,075,471	-425,877	-7.7%	0.6%	0.4%	-0.3%
Commercial	58,143,895	67,663,812	9,519,917	16.4%	6.7%	4.8%	-1.9%
Industrial	103,813,641	130,759,372	26,945,731	26.0%	11.9%	9.2%	-2.7%
Utility	32,563,130	31,692,598	-870,532	-2.7%	3.7%	2.2%	-1.5%
Total	227,887,903	267,918,814	40,030,911	17.6%	26.1%	18.9%	-7.2%
Total Depreciables	153,145,334	183,534,170	30,388,836	19.8%	17.6%	13.0%	-4.6%
Total Inventory	69,241,220	79,309,173	10,067,953	14.5%	7.9%	5.6%	-2.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	153,611,616	305,020,708	151,409,092	98.6%	17.6%	21.5%	3.9%
Ag Personal	27,865,889	32,727,561	4,861,672	17.4%	3.2%	2.3%	-0.9%
Total Ag Business	181,477,505	337,748,269	156,270,764	86.1%	20.8%	23.9%	3.1%
Ag Homesteads	57,769,804	103,210,673	45,440,869	78.7%	6.6%	7.3%	0.7%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Clinton County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	126%	88%	8%	1%
Comparable Residential Real Prop.	116%	79%	4%	-3%
Comparable Homesteads	112%	59%	-11%	-17%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	238	2.0%	78	1.1%	207	1.7%	67	1.0%
200%	to 300%	170	1.4%	35	0.5%	138	1.1%	33	0.5%
100%	to 200%	1,167	9.7%	140	2.0%	1,039	8.6%	111	1.6%
50%	to 100%	1,633	13.6%	310	4.4%	1,257	10.4%	227	3.2%
25%	to 50%	1,415	11.8%	496	7.1%	1,428	11.9%	353	5.0%
10%	to 25%	1,141	9.5%	629	9.0%	1,089	9.0%	480	6.8%
5%	to 10%	444	3.7%	314	4.5%	462	3.8%	249	3.6%
0	to 5%	808	6.7%	457	6.5%	745	6.2%	381	5.4%
0	to -5%	580	4.8%	495	7.1%	483	4.0%	366	5.2%
-5%	to -10%	648	5.4%	585	8.3%	590	4.9%	509	7.3%
-10%	to -25%	2,031	16.9%	1,925	27.5%	2,243	18.6%	2,105	30.0%
-25%	to -50%	1,503	12.5%	1,373	19.6%	2,015	16.7%	1,878	26.8%
Below	-50%	256	2.1%	171	2.4%	338	2.8%	249	3.6%
		12,034	100.0%	7,008	100.0%	12,034	100.0%	7,008	100.0%
Parcels With Increases		7,016	58.3%	2,459	35.1%	6,365	52.9%	1,901	27.1%
Parcels With Reductions		5,018	41.7%	4,549	64.9%	5,669	47.1%	5,107	72.9%
Average \$ Change		\$27		-\$97		-\$21		-\$149	
Average % Change		3.9%		-11.2%		-3.2%		-17.3%	

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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